

VZCZCXRO7676
PP RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV RUEHSR
DE RUEHMD #1226/01 3290817
ZNR UUUUU ZZH
P 240817Z NOV 08
FM AMEMBASSY MADRID
TO RUEHC/SECSTATE WASHDC PRIORITY 5610
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAS/AMEMBASSY ALGIERS 4026
RUEHBO/AMEMBASSY BOGOTA 5380
RUEHBU/AMEMBASSY BUENOS AIRES 0394
RUEHCV/AMEMBASSY CARACAS 1322
RUEHLP/AMEMBASSY LA PAZ 1324
RUEHMO/AMEMBASSY MOSCOW 0921
RUEHQT/AMEMBASSY QUITO 1429
RUEHRB/AMEMBASSY RABAT 6124
RUEHLA/AMCONSUL BARCELONA 3667
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 MADRID 001226

SIPDIS

STATE FOR EUR/WE:SAMSON,ZERDECKI AND EEB/IFD/OMA
TREASURY FOR OIA/OEE/W.LINDQUIST
COMMERCE FOR 4212/DON CALVERT

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [ENRG](#) [EPET](#) [SP](#) [SCUL](#)

SUBJECT: MADRID ECONOMIC WEEKLY, NOV. 17-21

MADRID 00001226 001.2 OF 002

Contents

EFIN: Banks Take Advantage of Less than Half of GOS
5-Billion-Euro Aid Offer
EINV/EPET: Russian Company Lukoil Interested in Repsol Stake
ECON/SCUL: Odyssey - Culture Ministry Reaffirms Opposition to
Negotiating
EFIN: Second Largest Real Estate Bankruptcy This Year
ENRG: Investors Buy Portuguese Wind Power Producer

Banks Take Advantage of Less than Half of GOS 5-Billion-Euro Aid Offer

1.(U) Spanish banks and cajas (savings banks) took advantage of less than half of the asset-purchase aid offered by the GOS in a liquidity auction November 20. Out of the 5 billion euros available, Spanish banks and cajas subscribed to only 2.1 billion euros. Experts speculated that banks did not take advantage of this liquidity measure due to more favorable options at the European Central Bank. Others suggested that this low level of subscription was indicative of a strong financial situation in Spain. The twenty-three approved financial institutions taking advantage of this offer included small and mid-size financial institutions such as Caja Castilla La Mancha, Caja Duero, BBK, Kutxa, and others. Another 5-billion euro auction is expected to occur in December. (All media, 11/21)

Russian Company Lukoil Interested in Repsol Stake

2.(U) On November 19, the Russian company Lukoil, which includes among its shareholders the U.S. company ConocoPhillips, announced it was in negotiations to acquire almost 30% of the oil and gas company Repsol. 20% would be from troubled construction company Sacyr Vallehermoso, and the rest would be from financial institutions. Lukoil is reported to be willing to pay a premium of more than 100% over Repsol's current stock market price. Press reports noted that unlike Gazprom, which had expressed interest last week in the Sacyr shares, Lukoil is not owned by the Russian government. However, Industry and Commerce Minister Sebastian said on November 19 that the GOS would do

everything possible to ensure that Repsol stays independent and Spanish. Spanish political parties are expressing their concern over the possible Russian purchase, although President Zapatero said November 20 that he was "open" to the deal, citing Lukoil's private status and U.S. shareholder. (All media, 11/20 and 11/21)

Odyssey - Culture Ministry Reaffirms Opposition to Negotiating

3.(U) The Culture Ministry released a statement November 18 reaffirming that the GOS is not amenable to negotiating with Odyssey over the remains of the "Black Swan" shipwreck, which the GOS believes to be Spanish-flagged vessel Nuestra Senora de Las Mercedes. This statement was released in response to Odyssey's recent website statement indicating that it is still hopeful that it can reach an amicable agreement with Spain. On November 17, the American company submitted to the Tampa Admiralty court its rebuttal to Spain's claim to the Black Swan treasure find. (EFE, 11/18)

Second Largest Bankruptcy Filing this Year

4.(U) Real estate group Tremon announced November 17 that the company had filed for administration of over 1 billion euros in debt after failing to raise enough capital to meet debt payments. Tremon is the second largest real estate company, after Martinsa Fadesa, to seek administration proceedings this year. Sixteen banks are particularly affected by this filing, especially Banco Popular and Bancaja, which owned 200 million euros and about 100 million euros respectively of the debt covered by the bankruptcy filing. The bankruptcy proceedings only apply to the group's real estate development units and not to its hotel and leisure park management businesses. Given the ailing housing market,

MADRID 00001226 002.2 OF 002

construction and real estate firms represent a quarter of all those in default of debt payments, according to the GOS. (All media, 11/17 and 11/18)

Investors Buy Portuguese Wind Power Producer

5.(U) The Spanish-Portuguese private equity firm Magnum Capital purchased the Portuguese wind farm company Enersis from the Australian firm Babcock & Brown for 1.15 million euros. Enersis provides about a quarter of Portugal's wind power, with 515 MW of installed wind capacity and 156 MW under construction. Magnum's Spanish shareholders are former directors of Banco Santander. BBVA and three Portuguese banks funded the purchase. (El Confidencial, 11/17; El Pais English; 11/18)
AGUIRRE